

April 15, 2019

Ms. Teresa Binkley, Finance Director
City of Taft
209 East Kern Street
Taft, CA 93268

Dear Ms. Binkley:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Taft Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period of July 1, 2019 through June 30, 2020 (ROPS 19-20) to the California Department of Finance (Finance) on February 1, 2019. Finance has completed its review of the ROPS 19-20.

Based on a sample of line items reviewed and application of the law, Finance made the following determinations:

- Item No. 12 – Authority Loan Bond Reimbursement Agreement in the total outstanding amount of \$1,095,130 is not allowed. The Agency provided the Reimbursement Agreement; however, this document alone is insufficient to support the requested amount. The Agreement states “that to the extent available, Tax Revenues shall be used and applied to repay the City for all Lease Payments... in the event the City is unable to pay such Lease Payments for any reason.” The Agency has not been able to demonstrate the City’s inability to pay the Lease Payments. Therefore, this item is not an enforceable obligation and the total requested amount of \$123,430 is not eligible for Redevelopment Property Tax Trust Fund (RPTTF).
- The claimed administrative costs exceed the allowance by \$2,241. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency’s maximum ACA is \$106,860 for fiscal year 2019-20. Although \$109,101 is claimed for ACA, only \$106,860 is available pursuant to the cap. Therefore, as noted in the table below, \$2,241 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	\$ 311,426
Less distributed Administrative RPTTF	(97,707)
RPTTF distributed for 2018-19 after adjustments	213,719
ACA Cap for 2019-20 per HSC section 34171 (b)	106,860
ACA requested for 2019-20	109,101
ACA in Excess of the Cap	\$ (2,241)

- The administrative costs claimed are within the fiscal year administrative cap pursuant to HSC section 34171 (b) (3). However, Finance notes the Oversight Board (OB) has approved an amount that appears excessive, given the number and nature of the obligations listed on the ROPS. HSC section 34179 (i) requires the OB to exercise a fiduciary duty to the taxing entities. Therefore, Finance encourages the OB to apply adequate oversight when evaluating the administrative resources necessary to successfully wind-down the Agency.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The Agency did not submit a prior period adjustment form to the County-Auditor Controller for review. As a result, no prior period adjustment was assessed as demonstrated in the table on Page 4. To the extent the Agency possesses surplus funds from prior ROPS periods, these funds should be used prior to requesting RPTTF in the ROPS 20-21 period.

Except for the items adjusted, Finance is not objecting to the remaining items listed on the ROPS 19-20. If the Agency disagrees with our determination with respect to any items on the ROPS 19-20, except items which are the subject of litigation disputing our previous or related determinations, the Agency may request a Meet and Confer within five business days of the date of this letter. The Meet and Confer process and guidelines are available on our website:

<http://dof.ca.gov/Programs/Redevelopment/Meet And Confer/>

The Agency's maximum approved RPTTF distribution for the reporting period is \$353,830 as summarized in the Approved RPTTF Distribution table on Page 4 (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

Absent a Meet and Confer, this is our final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>


This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

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Please direct inquiries to Kylie Oltmann, Supervisor, or Daisy Rose, Lead Analyst, at (916) 322-2985.

Sincerely,



JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Craig Jones, City Manager, City of Taft
Ms. Mary B. Bedard, Auditor-Controller, Kern County

Attachment

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 181,775	\$ 188,625	\$ 370,400
Administrative RPTTF Requested	65,460	43,641	109,101
Total RPTTF Requested	247,235	232,266	479,501
RPTTF Requested	181,775	188,625	370,400
<u>Adjustment</u>			
Item No. 12	(61,715)	(61,715)	(123,430)
RPTTF Authorized	120,060	126,910	246,970
Administrative RPTTF Requested	65,460	43,641	109,101
Excess Administrative Costs	0	(2,241)	(2,241)
Administrative RPTTF Authorized	65,460	41,400	106,860
Total RPTTF Authorized for Obligations	185,520	168,310	353,830
Prior Period Adjustment	0	0	0
Total RPTTF Approved for Distribution	\$ 185,520	\$ 168,310	\$ 353,830